

**Texas Department of Insurance**

**Property & Casualty Actuarial Division** – Mail Code 105-5F  
333 Guadalupe • P.O. Box 149104, Austin, Texas 78714-9104

April 12, 2002

**Commissioner's Bulletin No. B-0016-02**

TO ALL INSURANCE COMPANIES, CORPORATIONS, EXCHANGES, MUTUALS, RECIPROCALs, ASSOCIATIONS, LLOYDS, OR OTHER INSURERS WRITING WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE IN THE STATE OF TEXAS:

**RE: TDI Special Call for Workers' Compensation and Employers' Liability  
Average Schedule Rating Modifications and Negotiated Experience  
Modifiers**

Pursuant to Tex. Ins. Code Ann. §38.001 (Vernon Supp. 2002), the Texas Department of Insurance (Department) requests that you provide the following data for Workers' Compensation and Employers' Liability experience in Texas. This data call applies to all companies in your group that write workers' compensation and employer's liability insurance on a direct basis in Texas. Separate data reports (Sections A and B) must be submitted for each company. A single Transmittal Form (Section C) may be submitted for all insurers in a group.

The data under this call should be submitted on a policy year basis for policy years 1998 - 2002. Where final payroll audits have not been performed, the average values should be based upon the estimated annual premiums. Although policy years 2001 and 2002 are only partial policy years, data is still requested for each one. Policies effective from January 1, 2002 through March 31, 2002 should report estimated annual premium. Experience reported should be for direct business only. No adjustments should be made to premiums for reinsurance ceded or assumed. Premium-weighted averages must be used in calculating the average schedule rating modifications and the average experience modifiers. Standard earned premium as defined in the Texas Workers' Compensation Financial Call Plan should be used.

Companies must complete both Sections A and B regardless of whether or not they have used schedule rating or negotiated experience modifiers.

### **Excluded Items**

The following items should be excluded from this data call. These are the same items excluded from the Texas Workers' Compensation Financial Call Plan.

- Policies covering excesses of original policy amounts
- Policies with deductibles over \$100,000 per accident or aggregate
- Experience on National Defense Projects written under either the old Comprehensive Rating Plan or the new National Defense Rating Plan
- All Underground Coal Mine experience
- Reinsurance policies

### **SECTION A – Average Schedule Rating Modifications**

Section A must be completed by all carriers writing direct workers' compensation and employers' liability insurance in Texas in any of policy years 1998-2002. This information shall be reported by policy year and the indicated sizes of policy and shall reflect the premium-weighted average schedule rating modification for all policies written during the applicable policy year. The modification shall be expressed as a factor, where a factor of 1.000 implies an average schedule rating modification of zero. (Where schedule rating was not used for a given policy, use a factor of 1.000 in calculating the average.) An average schedule rating modification of -10.0% shall be reported as 0.900 and an average schedule rating modification of +15.0% shall be reported as 1.150. Carriers must also provide the number of policies and total premium for the indicated sizes of policy. The reporting format is similar to that required by Supplement S of the Texas Workers' Compensation Financial Call Plan and the Texas Call for Quarterly Experience.

### **SECTION B – Negotiated Experience Modifiers**

Section B must be completed by all carriers writing direct workers' compensation and employers' liability insurance in Texas in any of policy years 1998-2002. The premium-weighted average experience modifier as calculated under the Rules in the Texas Workers' Compensation and Employers' Liability Manual and the premium-weighted average experience modifier taking into consideration any policies with negotiated experience modifiers for each policy year must be provided. An example of the latter would be if there are 100 policies and 10 of them have negotiated experience modifiers. The average experience modifier considering negotiated experience modifiers would be a premium-weighted average of the calculated experience modifiers for the 90 policies and the negotiated experience modifiers of the 10 applicable companies. The modifier should be expressed as a factor (see example in Section A for more detail.) Also include standard premium prior to application of modifiers, the number of policies with negotiated experience modifiers, and the total number of written policies. In addition,

provide a narrative on how the negotiated experience modifiers have been used by the company and the extent of their use, including changes in their use over time.

### **SECTION C - Transmittal Form**

In addition to the data, please complete the attached transmittal form that identifies the following:

- Organization(s) involved
- Person responsible for the data
- Contact information for any questions that may arise
- Statement that data has been checked and the person responsible for the filing believes it to be correct

Only one transmittal letter is required for each group of companies.

### **Deadline, Submission Address, Submission Requirements and Contact Information**

Responses are due to the Department no later than close of business on May 17, 2002. The reports should be provided to the Department in electronic format suitable for use on a personal computer. Acceptable formats include Microsoft Excel and Word files, or Lotus files. Other formats may be accepted with prior approval from TDI. Submissions may be mailed, emailed or overnighted to TDI at one of the following:

Mail: Texas Department of Insurance  
P&C Actuarial, MC 105-5F  
Attn: Elizabeth Consigli  
P. O. Box 149104  
Austin, TX 78714-9104

Overnight: Texas Department of Insurance  
P&C Actuarial, MC 105-F  
Attn: Elizabeth Consigli  
333 Guadalupe  
Austin, TX 78701

E-mail: [j'ne.byckovski@tdi.state.tx.us](mailto:j'ne.byckovski@tdi.state.tx.us) or  
[elizabeth.consigli@tdi.state.tx.us](mailto:elizabeth.consigli@tdi.state.tx.us)

This Bulletin and attachments for Sections A-C can be downloaded from TDI's website at [www.tdi.state.tx.us](http://www.tdi.state.tx.us). The Bulletin and attachments can be found at [www.tdi.state.tx.us](http://www.tdi.state.tx.us) by accessing "Popular Links" and then "Bulletins". In "Bulletins", click on "2002", and look for the Bulletin number. If you are unable to download the

exhibits, you may request a hard copy by contacting Lisa Garza in the Property and Casualty Actuarial Division at (512) 475-3017 or by email at [lisa.garza@tdi.state.tx.us](mailto:lisa.garza@tdi.state.tx.us).

Sections A-C and a narrative accompanying Section B must be completed.

For further information or questions in regards to this bulletin, please contact either myself, J'ne Byckovski or Elizabeth Consigli at (512) 475-3017.

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PHIL PRESLEY  
CHIEF PROPERTY & CASUALTY ACTUARY

Attachments:       Section A - Average Schedule Rating Modifications  
                          Section B - Negotiated Experience Modifiers  
                          Section C - Transmittal Form

**Section A - Workers' Compensation and Employers' Liability****Policy Year Call for Subjective Rating Modifications Valued as of 12/31/2001.**

Group Name \_\_\_\_\_

Group NAIC Number \_\_\_\_\_

Company Name \_\_\_\_\_

Company NAIC Number \_\_\_\_\_

**Size of Policy =**

Policy Year	\$0 - \$5,000		\$5,001 - \$100,000		\$100,001 and Over		\$0 - \$5,000		\$5,001 - \$100,000		\$100,001 and Over	
	Schedule Rating Modification	(Rule XVII) Small Premium Incentive Plan Modification	Schedule Rating Modification	Schedule Rating Modification	Schedule Rating Modification	Number of Policies	Schedule Rating Modification	Number of Policies	Schedule Rating Modification	Number of Policies	Schedule Rating Modification	Number of Policies
1998												
1999												
2000												
2001*												
2002*												

\* Policies with effective dates between 01/01/2001 and 03/31/2002 should report estimated annual premiums unless audited premium amounts are available.

Note 1: Statistical codes pertaining to these modifications

Schedule Rating Premium Credit	9887
Schedule Rating Premium Debit	9889
Small Employer Premium Incentive Discount	9885
Small Employer Premium Incentive Surcharge	9886

Note 2: See Rule XVII in the Texas Workers' Compensation and Employers' Liability Manual and Article 5.55B of the Texas Insurance Code for clarification of the Premium Incentives for Small Employers.

Note 3: Subjective Rating Modifications should be expressed as a **factor** (Example: 1.000 implies an average subjective rating modification of 0.0%, 0.900 implies a modification of -10.0%, 1.100 implies a modification of +10.0%, etc.)  
**Do not show subjective rating modification results as dollar figures.**

Note 4: The information reported should be done on a **Policy Year** basis, same as Supplement S of the Texas Workers' Compensation Financial Call Plan.

Note 5: Average Schedule Rating credits/debits should be weighted on modified premium immediately prior to the application of schedule rating.

**Section B - Workers' Compensation and Employers' Liability  
Negotiated Experience Modifiers**

Group Name \_\_\_\_\_  
 Group NAIC Number \_\_\_\_\_  
 Company Name \_\_\_\_\_  
 Company NAIC Number \_\_\_\_\_

Policy Year	Average Calculated Experience Modifier**	Average Negotiated Experience Modifier***	Standard Premium Prior to Application of Modifiers	Number of Policies with Negotiated Modifiers	Total Number of Policies
1998					
1999					
2000					
2001*					
2002*					

For questions 1 through 3, check either Yes or No.

Yes

No

1. Did your company use negotiated experience modifiers in any of the years indicated above?
2. Does your company still use negotiated experience modifiers on new business?
3. Does your company still use negotiated experience modifiers on renewal business?

\* Policies with effective dates between 01/01/2001 and 03/31/2002 should report estimated annual premiums unless audited premium amounts are available.

\*\* Average of modifiers calculated in accordance with the Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance.

\*\*\* Average modifier including calculated experience modifiers unadjusted due to negotiation and negotiated experience modifiers.

Note 1: Statistical codes pertaining to these modifications

Negotiated Experience Modification Credit

9890

Note 2: Experience Modifiers should be expressed as a **factor** (Example: 1.000 implies an average experience modifier of 0.0%, 0.900 implies a modifier of -10.0%, 1.100 implies a modifier of +10.0%, etc.)

**Do not show results of experience modifiers as dollar figures.**

Note 3: The information reported should be done on a **Policy Year** basis.

Note 4: Average experience modifiers should be weighted on premium subject to experience modification prior to application of experience modifiers.

Texas Department of Insurance  
**Section C: Transmittal Form**

1. Group Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_

2. Company Name(s): \_\_\_\_\_ NAIC No(s). \_\_\_\_\_

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3. Contact Person: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State: \_\_\_\_\_  
ZIP Code: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
Fax No.: \_\_\_\_\_

4. Person Responsible for the Data: \_\_\_\_\_

5. I certify that the data has been checked and believe it to be correct.

\_\_\_\_\_  
(Signature of person responsible for the data)

6. Checklist: Have you attached all of the following?:

- Section A
- Section B
- Section C
- Narrative accompanying Section B